



Financing Home Repairs

You've decided to fix up your home or add that room you've always wanted. Congratulations. Just be sure to think carefully when considering payment options. Remember, home repair or improvement can involve many thousands of dollars. A mistake in your financing decision can cost you thousands more.

Paying for Home Repair Projects

There are really only three options to financing your project. You can finance through your home repair contractor, finance through an independent lender, or pay cash. For most consumers, cash payment is not realistic except for small projects, so financing will probably be necessary.

Keep in mind that you are under no obligation to use any particular lender. The choice is yours.

Contractor Secured Financing

If you finance directly through the contractor, you will likely be offered a Retail Installment Contract. The contractor is allowing you to pay for the project over a period of time rather than all at once. The interest rate and all fees must be fully disclosed to you before you sign the contract. Do not sign the contract if any of the spaces are left blank. Be aware that it is common practice for the contractor to sell or assign the Retail Installment Contract to another party, such as a bank. You would then make your payments to that party.

Banks and Credit Unions

You may also finance through an independent lender, such as a bank or credit union. Your contractor may refer you to a lender; while you certainly may consider your contractor's recommendation, it's probably best to shop around and compare. Once again, the lender must disclose all terms of the loan to you in advance.

Loans for Home Repair Projects

It is all but certain that any loan you obtain, whether from the contractor or an independent lender, will be secured by your home. That is, it will be a type of mortgage. Your home is the collateral. If you do not make the payments, you could lose your home. Therefore, you should be absolutely certain that you can afford the monthly payment.

Accept no oral agreements concerning the loan. Insist that all agreements be in writing so that they will be enforceable later.

As with any loan, read the documents carefully before you sign them. Be sure the terms in the written documents are consistent with those promised to you and that there are no blank spaces. If you do not understand something, ask questions. Do not allow yourself to be rushed or pressured to sign.

Never allow the work to begin until your loan has been fully approved, any right to cancel period has passed, and the funds may be disbursed. If your project will require financing, insist on language in

your construction contract that no work will begin until financing acceptable to you has been secured, and that the contract is voidable by you if you are unable to obtain a loan. Do not agree to a contract that contains nothing more than vague language such as “subject to financing.”

Right to Cancel

Right-to-cancel notices can be confusing. It is important to remember that there are two separate and distinct right-to-cancel provisions in a financed construction project. One applies to the construction contract and one applies to the loan. It could happen that your right to cancel the construction contract has expired while your right to cancel the loan has not. In this situation, you may find yourself in a position where you are able to cancel the loan but not the construction contract. You would then be obligated to complete the construction project even if you cancel the loan. The contractor might then attempt to impose unacceptable loan terms on you. This is why the language where no work will begin until acceptable financing has been secured is so important.

It is best that the funds from your loan be given directly to you by the lender rather than to your contractor. You then pay the contractor. This puts you in a stronger position if a dispute should arise. If your lender requires that the checks be made payable to the contractor, insist that your name appears on the checks as a co-payee. This way you must endorse the check before the contractor can cash it.

There is much more information available regarding home repair, financing, and the three-day right to cancel at the Web site of **Illinois Attorney General Lisa Madigan**, including the following:

<http://www.illinoisattorneygeneral.gov/consumers/creditcards.pdf>

<http://www.illinoisattorneygeneral.gov/consumers/3dayright.pdf>

<http://www.illinoisattorneygeneral.gov/consumers/homeequity.pdf>

please visit
www.IllinoisAttorneyGeneral.gov



Chicago
1-800-386-5438
TTY: 1-800-964-3013

Springfield
1-800-243-0618
TTY: 877-844-5461

Carbondale
1-800-243-0607
TTY: 877-675-9339